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Microware Group Limited

美高域集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1985)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

HIGHLIGHTS

- Total revenue of the Group amounted to approximately HK\$541.3 million for the Period, representing a decrease of approximately HK\$36.2 million or 6.3% as compared to approximately HK\$577.6 million for the Previous Period.
- Profit and total comprehensive income of the Group for the Period was approximately HK\$12.9 million, representing a decrease of approximately HK\$8.8 million or 40.6% as compared to approximately HK\$21.6 million for the Previous Period. The Board considers that the economy of Hong Kong for the second half of this year is still challenging caused by COVID-19 and the ongoing tensions of the United States and China.
- Basic earnings per share for the Period was HK\$0.04, as compared to HK\$0.07 for the Previous Period.
- The Board has declared the payment of an interim dividend of HK\$0.04 per share for the Period (Previous Period: HK\$0.05).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of Microware Group Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020 (the “**Previous Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended	
		30 September	
	<i>NOTES</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	3	541,345	577,550
Cost of sales		(481,660)	(506,166)
Gross profit		59,685	71,384
Other income		133	590
Other gains and losses, net		356	(437)
Other expenses		(1,520)	(2,504)
Distribution and selling expenses		(28,550)	(30,069)
Administrative expenses		(14,318)	(14,148)
Finance costs		(211)	(154)
Profit before taxation		15,575	24,662
Taxation	4	(2,724)	(3,047)
Profit and total comprehensive income for the period	5	12,851	21,615
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
— owners of the Company		12,843	21,780
— non-controlling interest		8	(165)
		12,851	21,615
Earnings per share	7		
Basic (HK\$)		0.04	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>NOTES</i>	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		14,949	11,141
Deposit paid for acquisition of property, plant and equipment		2,456	1,612
Prepayments and deposits	8	1,645	1,991
		19,050	14,744
CURRENT ASSETS			
Inventories		54,623	53,807
Trade and other receivables, prepayments and deposits	8	192,230	153,351
Pledged bank deposits		28,877	27,639
Bank balances and cash		145,282	239,933
		421,012	474,730
CURRENT LIABILITIES			
Trade and other payables and accruals	9	168,828	193,204
Amount due to a non-controlling interest of a subsidiary		1,099	1,099
Contract liabilities		43,827	62,131
Tax liabilities		1,726	1,138
Leases liabilities		6,499	7,269
Derivative financial instruments		61	186
Bank loans		5,000	—
		227,040	265,027
NET CURRENT ASSETS		193,972	209,703
TOTAL ASSETS LESS CURRENT LIABILITIES		213,022	224,447
NON-CURRENT LIABILITIES			
Contract liabilities		4,037	3,598
Lease liabilities		5,285	—
Deferred tax liabilities		29	29
		9,351	3,627
NET ASSETS		203,671	220,820
CAPITAL AND RESERVES			
Share capital	10	3,000	3,000
Reserves		201,631	218,788
Equity attributable to owners of the Company		204,631	221,788
Non-controlling interest		(960)	(968)
		203,671	220,820

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Microware Group Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 20 January 2016. The Group is principally engaged in the provision of information technology (“**IT**”) infrastructure solution services and IT managed services in Hong Kong.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

The condensed consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors of the Company who are also the chief operating decision makers (the “CODM”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operating by the Group. No operating segments have been aggregated to form the following reportable segments.

Details of the Group’s operating and reportable segments are as follows:

- (1) IT infrastructure solution services business refers to the procurement of hardware and software by the Group and such procurement together with provision of design of solutions and provision of maintenance and/or support services; and
- (2) IT managed services business refers to the provision of design of solutions, provision of maintenance and/or support services to IT systems of the customers and provision of training programmes relating to cyber security by the Group.

Segment revenue and results

An analysis of the Group's operating and reportable segment revenue and segment results is set out as below:

	IT infrastructure solution services business HK\$ '000	IT managed services business HK\$ '000	Total HK\$ '000
For the six months ended			
30 September 2021 (unaudited)			
Segment revenue	481,160	60,185	541,345
Segment results	20,420	11,244	31,664
Other income			133
Other gains and losses, net			356
Other expenses			(1,520)
Certain distribution and selling expenses			(529)
Administrative expenses			(14,318)
Finance cost			(211)
Profit before taxation			15,575
For the six months ended			
30 September 2020 (unaudited)			
Segment revenue	517,141	60,409	577,550
Segment results	30,640	11,319	41,959
Other income			590
Other gains and losses, net			(437)
Other expenses			(2,504)
Certain distribution and selling expenses			(644)
Administrative expenses			(14,148)
Finance cost			(154)
Profit before taxation			24,662

Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, other expenses, certain distribution and selling expenses, administrative expenses and finance cost.

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the executive directors of the Company for review.

Other segment information

	IT infrastructure solution services business HK\$'000	IT managed services business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment results:				
For the six months ended				
30 September 2021 (unaudited)				
Depreciation	524	508	4,066	5,098
Allowance for inventories	1,373	—	—	1,373
	<u>1,373</u>	<u>—</u>	<u>—</u>	<u>1,373</u>
For the six months ended				
30 September 2020 (unaudited)				
Depreciation	1,636	1,142	2,198	4,976
Allowance for inventories	745	—	—	745
	<u>745</u>	<u>—</u>	<u>—</u>	<u>745</u>

4. TAXATION

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
Hong Kong Profits Tax	<u>2,724</u>	<u>3,047</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period ended 30 September 2021 and 2020.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	435,383	462,721
Depreciation of property, plant and equipment	5,098	4,976
Allowance for inventories (included in cost of sales)	<u>1,373</u>	<u>745</u>

6. DIVIDENDS

During the Period, a final dividend of HK\$0.05 per share and special dividend of HK\$0.05 per share in respect of the year ended 31 March 2021 (2020: HK\$0.08 per share and special dividend of HK\$0.07 per share) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK\$30 million (2020: HK\$45 million).

Subsequent to the end of the Period, the directors of the Company have declared that an Interim dividend of HK\$0.04 per Share amounting to HK\$12 million in aggregate (30 September 2020: HK\$15 million) will be paid to owners of the Company.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Earnings:		
Earnings for the period for the purpose of basic earnings per share	12,843	21,780
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	300,000	300,000

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

8. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade receivables	167,426	132,964
Less: Allowance for impairment losses (<i>Note</i>)	—	—
	<u>167,426</u>	<u>132,964</u>
Rental and utilities deposits	318	318
Prepayments for costs of maintenance services	18,930	17,534
Others	7,201	4,526
	<u>7,201</u>	<u>4,526</u>
Total trade and other receivables, deposits and prepayments	<u>193,875</u>	<u>155,342</u>
Analysed as:		
Current	192,230	153,351
Non-current	1,645	1,991
	<u>1,645</u>	<u>1,991</u>
	<u>193,875</u>	<u>155,342</u>

Note: During the current interim period, the Group provided impairment allowance of HK\$nil (six months ended 30 September 2020: HK\$nil).

Before accepting any new customer, the Group performs a credit review to assess the potential customer's credit quality and defines credit limits by customer. Limits and credit rating to customers are reviewed on a regular basis. The Group allows credit period of 7 to 90 days to its customers.

The following is an ageing analysis of trade receivables from third parties net of allowance for impairment losses presented based on the invoice date at the end of the reporting period:

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
0 to 30 days	73,085	75,476
31 to 60 days	29,381	18,369
61 to 90 days	26,603	11,597
91 to 120 days	7,333	12,856
121 to 180 days	9,758	4,138
Over 180 days	21,266	10,528
	<hr/> 167,426 <hr/>	<hr/> 132,964 <hr/>

9. TRADE AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade and other payables and accruals:

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
Trade payables	102,014	153,509
Accrued staff costs	20,348	18,892
Others	46,466	20,803
	<hr/> 168,828 <hr/>	<hr/> 193,204 <hr/>

The following is an ageing analysis of trade payables presented based on the invoice date:

	At 30 September 2021 <i>HK\$'000</i> (unaudited)	At 31 March 2021 <i>HK\$'000</i> (audited)
0 to 30 days	14,866	87,352
31 to 60 days	55,706	31,879
61 to 90 days	15,015	27,715
Over 90 days	16,427	6,563
	<u>102,014</u>	<u>153,509</u>

10. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	5,000,000,000	50,000
Issued and fully paid:		
At 1 April 2020, 30 September 2020, 1 April 2021 and 30 September 2021	300,000,000	3,000

All issued shares of the Company rank pari passu in all respects with each other.

11. PERFORMANCE GUARANTEES

As at 30 September 2021, the performance guarantees of the Group of approximately HK\$22,976,000 (31 March 2021: HK\$21,943,000) were given by a bank in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and their customers. If the Group fails to provide satisfactory performance to their customers to whom performance guarantees have been given, such customers may demand the bank to pay them the sum or sum stipulated in such demand. The Group will become liable to compensate the bank accordingly. The performance guarantee will be released upon completion of the contract works.

As at 30 September 2021 and 31 March 2021, the directors of the Company did not consider that it is probable that a claim will be made against the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is principally engaged in the provision of information technology (“IT”) infrastructure solution services and IT managed services in Hong Kong. The Group strives to provide one-stop IT experience which begins with (i) consultation and advice; (ii) hardware and/or software procurement; (iii) implementation; (iv) management and maintenance of the IT infrastructure solutions, to (v) provision of cyber securities training programmes.

The Group is a well-established IT infrastructure solutions provider based in Hong Kong. During the Period, the total revenue of the Group decreased by approximately HK\$36.2 million or 6.3% as compared to that for the Previous Period. Such decrease was due to the decrease in revenue generated from the IT infrastructure solution services and IT managed services business of the Group. Gross profit of the Group for the Period was approximately HK\$59.7 million, representing an decrease of approximately HK\$11.7 million or 16.4% from approximately HK\$71.4 million for the Previous Period. Such decrease was mainly due to the decrease in revenue of sales of IT infrastructure solution services and IT managed services.

For the Previous Period, the Group received HK\$8.9 million as subsidies from the Employment Support Scheme implemented by the Hong Kong Government as the result of the outbreak of the coronavirus disease (COVID-19). Excluding such subsidies, the financial performance of the Group remained stable amidst COVID-19. However, the Board of Directors of the Company considers that the economy of Hong Kong for the second half of this year is still challenging given the continual impact of COVID-19 and the ongoing tensions of the United States and China.

FINANCIAL REVIEW

Revenue

Total revenue of the Group amounted to approximately HK\$541.3 million for the Period, representing a decrease of approximately HK\$36.2 million or 6.3% as compared to approximately HK\$577.6 million for the Previous Period. The decrease in total revenue was mainly due to the decrease in revenue of the business segment of IT infrastructure solution services which was approximately HK\$481.2 million for the Period, representing a decrease of approximately HK\$36.0 million or 7.0% as compared to approximately HK\$517.1 million for the Previous Period. The revenue of the business segment of IT managed services which was approximately HK\$60.2 million, representing a decrease of approximately HK\$0.2 million or 0.4% as compared to approximately HK\$60.4 million for the Previous Period. For the Period, the business segments of IT infrastructure solution services and IT managed services contributed approximately 88.9% and 11.1% to the total revenue of the Group, respectively.

Cost of sales

The cost of sales of the Group for the Period was approximately HK\$481.7 million, representing a decrease of approximately HK\$24.5 million or 4.8% from approximately HK\$506.2 million for the Previous Period. Such decrease was mainly due to decrease in cost of IT infrastructure solution services.

Gross profit

Gross profit of the Group for the Period was approximately HK\$59.7 million, representing an decrease of approximately HK\$11.7 million or 16.4% from approximately HK\$71.4 million for the Previous Period. Such decrease was mainly due to the decrease in revenue of IT infrastructure solution services and IT managed services, and the fact that Group no longer receives any government subsidies from the Employment Support Scheme from the Anti-epidemic Fund.

Operating expenses

Total operating expenses of the Group for the Period was approximately HK\$42.9 million, representing a decrease of approximately HK\$1.3 million or 3.1% as compared to approximately HK\$44.2 million for the Previous Period. Such decrease was due to the decrease in selling and distribution expenses for the Period.

Profit for the Period

As a result of the foregoing, the profit and total comprehensive income of the Group decreased by approximately HK\$8.8 million or 40.6% to approximately HK\$12.9 million for the Period from HK\$21.6 million for the Previous Period.

Excluding the government subsidies of HK\$8.9 million from the Employment Support Scheme under Anti-Epidemic Fund recognised for the Previous Period, the adjusted profit and total comprehensive income of the Group attributable to the owners of the Company for the Previous Period was HK\$12.7 million.

Liquidity and financial resources

Capital structure

As at 30 September 2021, the Group's total bank and other borrowings amounted to approximately HK\$5.0 million (31 March 2021: approximately Nil). The bank and other borrowings of the Group as at 30 September 2021 were denominated in HK\$, and carried interest rates of 1.37% to 2.07% per annum. The details of the share capital of the Company during the Period and the Previous Period are set out in note 10 on page 12 of this report.

Cash position

The Group recorded net current assets of approximately HK\$194.0 million as at 30 September 2021 (31 March 2021: approximately HK\$209.7 million). As at 30 September 2021, the Group had cash and cash equivalents of approximately HK\$140.2 million (31 March 2021: approximately HK\$234.8 million).

Capital expenditure

During the Period, the Group's total capital expenditure amounted to approximately HK\$0.4 million as at 30 September 2021 (Previous Period: approximately HK\$1.7 million), which was mainly incurred for acquisition of office equipment.

Gearing ratio

The gearing ratio of the Group (total interest-bearing bank loans divided by the total equity and multiplied by 100%) was 2.45% as at 30 September 2021 and was not applicable as at 31 March 2021, since the Group did not have any interest-bearing liabilities as at 31 March 2021.

Performance guarantees

The Group's performance guarantees as at 30 September 2021 are set out in note 11 of page 13 of this report.

Contingent liabilities

As at 30 September 2021, the Group had no material contingent liabilities (as at 31 March 2021: Nil).

Pledge of assets

As at 30 September 2021, certain of the Group's bank deposits totaling HK\$28.9 million (31 March 2021: HK\$27.6 million) were pledged for securing banking facilities granted to the Group.

Foreign exchange risk

The Group's transactions are mainly denominated and settled in HK\$ and the United States Dollars ("US\$"). Foreign exchange exposure of the Group to US\$ will continue to be minimal as long as the policy of The Government of the Hong Kong Special Administrative Region to link HK\$ to US\$ remains in effect. During the Period, the Group has entered into HK\$/US\$ net-settled structured foreign currency forward contracts with banks in Hong Kong in order to mitigate foreign exchange exposure as a result of purchases made from certain suppliers in its regular course of business. The fair value changes of the derivative financial instruments comprised realized gain (loss) and unrealized fair value gain (loss) on the HK\$/US\$ net-settled structured foreign currency forward contracts entered into by the Group.

HUMAN RESOURCES

As at 30 September 2021, the Group had a total of 254 employees (30 September 2020: 281 employees). For the Period, the total staff costs including Directors' emoluments amounted to approximately HK\$52.4 million (Previous Period: HK\$51.0 million). The remuneration policy of the Group is to offer a competitive remuneration package to its employees, including mandatory provident funds in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and medical insurance coverage to employees who are retained after the probation period. The Group will review the performance of its employees and make reference to such performance reviews in its salary and/or promotional review according to its remuneration policy in order to attract and retain talented employees.

In order to promote overall efficiency, employee loyalty and retention, employees of the Group are required to attend orientation sessions when they first join the Group and may attend other training courses held onsite or externally. The Group has also implemented (i) an educational subsidy programme to its employees to allow them to enrol courses relating to IT services from external organisations; (ii) an university education subsidy programme for children of its employees; and (iii) a medical check programme for its employees.

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 15 February 2017 (the “**Adoption Date**”). As such, share options may be granted to eligible employees of the Group pursuant to the Share Option Scheme. Since the Adoption Date to the date of this report, no share options have been granted under the Share Option Scheme.

INTERIM DIVIDEND

The Board declared the payment of an interim dividend of HK\$12 million of HK\$0.04 per Share (the “**Interim Dividend**”) (six months ended 30 September 2020: HK\$0.05) on 26 November 2021 for the Period, which will be payable to the shareholders of the Company in cash on or before Thursday, 30 December 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the shareholders’ entitlement to the Interim Dividend for the Period, the register of members of the Company will be closed on Friday, 17 December 2021, on which day no transfer of shares of the Company (the “**Shares**”) will be registered. In order to be eligible for the proposed Interim Dividend for the Period, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 December 2021.

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the Period.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period and no future plan for material investments or capital assets as at 30 September 2021.

USE OF PROCEEDS

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the Company in March 2017 amounted to approximately HK\$56.0 million (after deducting underwriting commissions and related expenses).

Set out below is a summary of the actual utilisation of the Net Proceeds as at 30 September 2021 against the planned use of the Net Proceeds as reallocated by the Board and which was set out in the Company’s announcement of 19 December 2019:

	Approximate planned use of Net Proceeds – after reallocation <i>(HK\$'million)</i>	Approximate amount of Net proceeds utilised Utilised during the Period <i>(HK\$'million)</i>	Total Utilised as at 30 September 2021 <i>(HK\$'million)</i>	Approximate unutilised Net Proceeds as at 30 September 2021 <i>(HK\$'million)</i>	Actual and expected timeline for utilising the remaining Net Proceeds <i>(HK\$'million)</i>
Upgrading of the IT management systems of the Group	12.6	0.9	12.6	—	—
Enhancing of the Group’s capability to undertake large-scale contracts	21.0	0.9	15.4	5.6	Expected to be fully utilised on or before 31 December 2022
Recruitment and training of employees	13.2	—	13.2	—	—
Strengthening the marketing efforts of the Group	3.6	—	1.9	1.7	Expected to be fully utilised on or before 31 March 2023
Additional working capital and other general corporate purposes	5.6	—	5.6	—	—
	<u>56.0</u>	<u>1.8</u>	<u>48.7</u>	<u>7.3</u>	

The original utilisation plans of the Net Proceeds as disclosed in the Company's prospectus of 24 February 2017 were delayed due to the complication of the Group's IT systems which required more time in evaluating and upgrading the IT systems, and the change of the Group's plan to allocate more proceeds to undertake large-scale contracts. Based on the current plan, the Group will utilise the unutilised Net Proceeds in the manner by the expected timeline as indicated in the above table.

As at 30 September 2021, the unutilised Net Proceeds have been deposited into short-term demand deposit with authorised financial institutions and/or licensed banks in Hong Kong.

FUTURE OUTLOOK

The Group recorded a significant decrease in the profit and total comprehensive income for the Period because the Group no longer receives government subsidies from the Employment Support Scheme implemented by the Hong Kong Government. Without the subsidies, the Group's profit and total comprehensive income for the period maintained at a similar level as compared with the Previous Period. As COVID-19 continues to have its impact worldwide, the economic environment of Hong Kong is still challenging this year. Moreover, the ongoing tensions between the United States and China is unpredictable, and the influence of the economic environment is equivocal. However, most countries opened their borders in the second half of this year and the economic environment of Hong Kong may improve.

For the remaining of this year, the Group will continue to explore future business opportunities and widen the new market opportunities. The Group will look for potential business segments and continue to establish core partnerships with key vendors. The Group will optimize the business opportunities and will maintain an optimal capital and debt structure and minimise the financial risk.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving good corporate governance practices by emphasising its accountability, transparency, independence, responsibility and fairness. The Company's corporate governance practices are based on the principles (the "**Principles**") and code provisions (the "**Code Provisions**") in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Save for Code Provision A.2.1 of the CG Code as disclosed below, the Company has applied the Principles and complied with all applicable Code Provisions during the Period.

The chairman of the Board is responsible for overseeing the strategic planning and leadership of the Group and for ensuring that the entire Board members are properly briefed on issues at Board meetings and receive adequate and reliable information on a timely basis. The chief executive officer of the Group (the "**Chief Executive Officer**") is responsible for the strategic development and maintaining the Company's relationship with companies outside of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Code Provision A.2.1 of the CG Code provides that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Chu Ming Ho is the chairman of the Board and the Chief Executive Officer. In view of the fact that Mr. Chu Ming Ho has been assuming the day-to-day responsibilities in operating and managing the Company since April 2000, the Board believes that it is in the best interest of the Company to have Mr. Chu Ming Ho taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from Code Provision A.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for the Group's operations and sufficient checks and balances are in place.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the securities dealing code for its Directors.

Specific enquiry had been made to all Directors and all of the Directors have confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the Period. No incident of non-compliance was noted by the Company during the Period. The Company has also established written guidelines on no less exacting terms than the Model Code for relevant employees who are likely to be in possession of unpublished inside information of the Group. No incident of non-compliance of the written guidelines by the employees was noted by the Company during the Period.

REVIEW OF INTERIM RESULTS

The unaudited interim results of the Group for the Period have been reviewed by the audit committee of the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.microware1985.com. The interim report of the Company for the Period containing all the relevant information required by the Listing Rules will be despatched to the shareholders of the Company and also published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Microware Group Limited
Chu Ming Ho

Chairman, executive Director and Chief Executive Officer

Hong Kong, 26 November 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chu Ming Ho, Mr. Yang Peter Shun Tsing and Mr. Cheng Wing Fai, one non-executive Director, namely Mr. Wan Yiu Hon and three independent non-executive Directors, namely Mr. Cheng Tak Chung, Ms. Li Wai Man and Mr. Li Richard King Hang.